

Financial HARTbeat

Peace deal?
May 25th 2026



Good Morning,

Is there a way forward for peace between the USA and Iran? Seems more likely given the rhetoric between Tehran and Washington...




If President Trump is calculating on what to do prior to midterms, he is certainly playing chicken in a very high stakes game...if they reach a deal inflation expectations likely plummet, looks like a win, yields fall, boosts the consumer confidence...

All of the above are positive for midterms...is this the focus?

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Also, catch the playback of our Annual Outlook [Click here](#)

Chart of the Day: Rates not much change since last week...stick on hold

	 Bank of Canada	 Federal Reserve	 European Central Bank
Rates			
President / Chair	Tiff Macklem	Jerome Powell	Christine Lagarde
Policy rate	Overnight rate	Fed Funds rate	Deposit facility rate
Current policy rate	2.25%	3.75%	2.00%
Next meeting			
Next meeting date	June 10, 2026	June 17, 2026	June 11, 2026
Market-implied policy rate*	2.25%	3.75%	2.00%
Spread vs. current rate	+0 bp	+0 bp	0 bp
Probability of...			
... hike	2%	1%	0%
... hold	98%	99%	100%
... cut	0%	0%	0%
Rate cuts			
25bps hikes (cuts) priced in...			
... next 3 months	0.1	0.2	1.1
... next 6 months	-	0.7	1.9
... next 12 months	-	1.6	-

nk of Canada, European Central Bank) and Fed Funds Futures (Federal Reserve).



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Top News

Canada's main stock index points to a higher open on Monday, helped by signs the United States and Iran are nearing a peace deal, which pressured oil prices and eased inflation concerns. U.S. markets will be closed today for Memorial Day holiday. Investors are looking forward to quarterly results from major banks, including Royal Bank of Canada, Toronto-Dominion Bank and Bank of Montreal, among others, due later this week.

The Toronto Stock Exchange's S&P/TSX Composite Index closed at a record high on Friday, surpassing its March 2 peak and underscoring how the index has recovered losses triggered by the war.

U.S. President Donald Trump said on Saturday a peace deal had been “largely negotiated” that could reopen the Strait of Hormuz. However, both parties played down hopes for an imminent breakthrough in their three-month-old war, keeping gains in check. However, Iran and the United States played down hopes for an imminent breakthrough in efforts to end their three-month-old war on Monday, with the top U.S. diplomat saying Washington will either get a good agreement or deal with the country in “another way.” Oil prices fell nearly 6% to two-week lows on Monday as optimism grew that the two sides are moving closer to a peace deal, even though they remain at odds over key issues such as blockades on the Strait of Hormuz. European shares hit their highest in more than two months on Monday, buoyed by signs Iran and the U.S. were negotiating an end to their conflict, easing concerns about inflation and a global economic slowdown. Most sectors gained, led by banks, Airlines also advanced, with Lufthansa and Air France rising as Brent Crude falls. Investors will look to inflation data from major euro zone economies later this week for clues on price pressures in May. Markets expect two European Central Bank interest rate increases of 25 basis points each by yearend, according to LSEG data.

Japan's Nikkei share average surged past the 65,000 level for the first time on Monday, as optimism for a deal to end the war in Iran boosted demand for risk assets. Japanese government bonds (JGBs) rallied on Monday, pushing yields further away from recent multi-decade highs, as signs of progress in resolving the Middle East conflict tamed inflation fears.



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Mainland China stocks closed higher on Monday, lifted by the coal sector after the country's worst mine disaster in 17 years raised expectations that stricter safety scrutiny would tighten supply, while semiconductor shares also aided the market. Chinese coking coal prices soared to their highest in nearly two weeks and a sub-index tracking the coal industry jumped 2.6% after the accident late on Friday. Hong Kong markets were closed for a public holiday, and will resume trading on Tuesday

No Argus today

Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: Key Interest Rates (Canada & U.S.)

Canadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.25%	0.0	CDA 5 year	3.13%	-6.6
CDA Prime	4.45%	0.0	CDA 10 year	3.46%	-7.5
CDA 3 month T-Bill	2.30%	-0.5	CDA 20 year	3.72%	-5.9
CDA 6 month T-Bill	2.40%	-1.5	CDA 30 year	3.85%	-5.6
CDA 1 Year	2.64%	-4.5			
CDA 2 year	2.86%	-5.2			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	3.5-3.75%	0.0	US 5 year	4.26%	0.0
US Prime	6.75%	0.0	US 10 year	4.56%	0.0
US 3 month T-Bill	3.59%	0.0	US 30 year	5.06%	0.0
US 6 month T-Bill	3.76%	0.0	5YR Sovereign CDS	39.72	
US 1 Year	3.85%	0.0	10YR Sovereign CDS	49.66	
US 2 year	4.12%	0.0			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			708.40	0.05%	1.75%
BMO Laddered Preferred Shares (ETF)			12.89	0.35%	4.54%

Source: LSEG

Things are looking up! Have a great day!

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